

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kay Winer

SUBJECT: SEE BELOW

DATE: 06-1-05

Approved /s/

Date 06/01/05

COUNCIL DISTRICT: City-wide

**SUBJECT: CHINESE HISTORICAL AND CULTURAL PROJECT MAJOR
MAINTENANCE TRUST FUND FOR NG SHING GUNG EXHIBIT
AND MUSEUM AT HISTORY PARK**

RECOMMENDATION

Authorize the City Manager to negotiate and execute an agreement with the non-profit Chinese Historical and Cultural Project and History San José to establish a jointly held compounding interest account as a capital maintenance trust for the Ng Shing Gung Exhibit and Museum on the grounds of History Park with all parties including the City making annual contributions, with the City's contribution not to exceed \$3,000 on an annual basis for twenty (20) years. No budgetary action would be required in the current budget process as the nominal additional City obligation would be absorbed within the 2005-2006 Proposed Budget. Future annual City contributions would be included in the Base Budget beginning in 2006-2007.

BACKGROUND

Community Initiated Proposal

Members of the Chinese Historical and Cultural Project (CHCP) have approached the City of San José requesting that the City consider establishing a Major Maintenance Trust Fund for the Ng Shing Gung Exhibit and Museum at History Park. Parties to the agreement would be CHCP, History San José (HSJ) and the City.

The Chinese Historical and Cultural Project was formed in 1987 as a non-profit organization dedicated to promoting awareness of the history and culture of the Chinese people in San José and the Santa Clara Valley. In November 1989, CHCP and the City entered into a twenty (20) year "Agreement Between Chinese Historical and Cultural Project and City of San José for Construction of Ng Shing Gung Exhibit Building, Development of Exhibits and Use of Premises at the San José Historical Museum."

BACKGROUND (Cont'd.)

Original 1888 Ng Shing Gung Building

The Chinese have a long history in the Santa Clara Valley and in 1888 after the wood Chinatown fire in downtown San José, the Chinese community relocated and constructed a Chinese Temple, Ng Shing Gung (Temple of the Five Gods), at Sixth and Taylor Streets in San José's new brick Chinatown. This two-story brick building with copper roof served as a community center and Chinese school with the temple on the second floor that was detailed with ornate altar screens and temple furnishings shipped from Canton, China. For over fifty years Ng Shing Gung was central to a thriving Chinatown community that slowly began to change as the population moved away and spread out into the greater San José area. The Ng Shing Gung building aged, falling into disrepair, and after legal action was torn down in 1949 by the City of San José to make way for the Corporation Yard. The City confiscated the original altar screens, temple furnishings and building components and stored these artifacts under the bleachers at the Municipal Stadium. These items found their way into the City's historical collections where they were then catalogued in the early 1970's.

Replica Ng Shing Gung Building Gifted to City of San José

In the 1980's the Chinese community became interested in preserving their local history, forming the CHCP non-profit that then began to conduct major fundraising efforts resulting in over \$800,000 raised for the construction of the replica of the 1888 Ng Shing Gung as an exhibit and museum building on the grounds of the San José Historical Museum, now History Park.

With these funds and additional donations, the CHCP, in collaboration with the City's Historical Museum, restored the original altar screens and temple furnishings, commissioned professional exhibitions, contributed to the production of an Academy award winning video, collaborated on the production of an historical publication on local Chinese history, produced a series of Summer Festivals events, developed a curriculum that was donated to all Santa Clara County schools, and other efforts promoting the history and culture of the Chinese community.

In September 1991 Ng Shing Gung was dedicated and full title was vested with the City, as a gift from CHCP, for the enjoyment and benefit of the entire community. The CHCP fundraising efforts also allowed the City to leverage an opportunity as a match for State grant funds that resulted in the \$1million dollar History Park street and infrastructure project.

Original Long-term Maintenance Trust Fund

Within the twenty (20) year agreement the CHCP and City negotiated provisions for the maintenance of Ng Shing Gung via the "Ng Shing Gung Long-term Maintenance Trust Fund." This original trust fund required CHCP to contribute \$30,000 to the City to be invested in an interest bearing gift trust fund account held by the City and restricted for the purposes of capital maintenance for the building. This agreement was executed in November 1989 and is scheduled to expire in the year 2009. With this expiration date nearing, CHCP approached both the City and HSJ with the proposal to consider a new agreement extending this opportunity to provide maintenance for this City asset.

ANALYSIS

This proposal represents an opportunity for the City to leverage its funds in cooperation with non-profit organization “partners.” The Board of Directors of CHCP has committed to invest the existing trust fund balance of \$21,000 and make annual contributions of \$1,000 for a twenty-year period. The Board of Directors of HSJ has approved participation in the amount of \$1,000 per year for the twenty-year period. The City’s participation, which is requested, is for the amount of \$3,000 per year for the twenty-year period. The partner’s contributions total \$61,000 and the City’s contribution totals \$60,000, basically a dollar for dollar match of private and public funding.

In addition to providing funds for the proposed maintenance trust, CHCP plans to contribute an estimated \$75,000 to update the exhibits in Ng Shing Gung with new displays highlighting recently discovered elements of the local history of the Chinese. These new exhibits will provide promotional opportunities and add to the experience of visitors to History Park.

The CHCP has developed a comprehensive list of maintenance and replacements items for the facility and has detailed four (4) major maintenance cycles beginning with the maintenance cycle one (1) just completed in 2004 and ending with maintenance cycle four (4) in year 2034. The recently completed maintenance cycle one (1) repairs totaled \$29,000 and provided exterior painting, interior painting, refinishing of hardwood floors and additional miscellaneous items. The CHCP has proposed a funding mechanism to cover the future cost of these items as projected in the maintenance cycles and provides for a positive ending fund balance so that maintenance could be funded beyond 2034.

In total, the contributions from all three entities will provide sufficient funds for anticipated repairs and replacements of the items as illustrated in Attachment A, Ng Shing Gung Maintenance Expense Estimates, until 2024. At that time all parties could negotiate to continue the agreement with annual contributions through 2034. With this proposal a projected positive fund balance is built into the budget allowing for future maintenance cycles to be addressed or for the funding of unforeseen maintenance tasks.

This joint project can serve as a model for partnerships with other non-profits to leverage funds necessary to properly maintain City assets.

PUBLIC OUTREACH

The Boards of Directors of both the Chinese Historical and Cultural Project and History San Jose have participated in the development and approval of this proposal.

HONORABLE MAYOR AND CITY COUNCIL

June 1, 2005

Subject: CHINESE HISTORICAL AND CULTURAL PROJECT MAJOR MAINTENANCE TRUST

Page 4

COORDINATION

Risk Management has provided information regarding the insurance requirements for CHCP and the Budget Office has been consulted regarding funding. Both the Attorney's Office and General Services will be involved in the agreement development.

COST IMPLICATIONS

This agreement will commit the City to provide \$3,000 per year for a total of twenty years pending City Council approval of the budget on an annual basis. The total twenty-year commitment of funding is \$60,000. There would be the option to continue the agreement from 2024 through the maintenance cycle projected in 2034 with additional annual contributions of \$3,000.

/s/

KAY WINER

Deputy City Manager

Attachment A: Ng Shing Gung Major Maintenance Expense Estimates

**Subject: CHINESE HISTORICAL AND CULTURAL PROJECT MAJOR MAINTENANCE TRUST
ATTACHMENT A**

Ng Shing Gung Major Maintenance Expense Estimates

Item	Cycle 1: 2004	Cycle 2: 2014	Cycle 3: 2024	Cycle 4: 2034
<u>Expenses</u>				
Exterior:				
painting	\$10,500.00	\$12,500.00	\$16,500.00	\$22,000.00
garden			\$2,000.00	
roof		\$3,000.00	\$20,500.00	
pavement				
miscellaneous	\$2,500.00	\$1,500.00	\$2,500.00	
Interior:				
painting	\$6,000.00	\$10,500.00	\$12,500.00	\$15,000.00
hardwood floors	\$7,500.00	\$9,500.00	\$11,000.00	\$14,000.00
exhibits		\$1,250.00	\$2,000.00	
heating		\$1,250.00	\$3,000.00	
air conditioner		\$2,000.00	\$5,500.00	
fire/security			\$7,500.00	
elevator		\$2,000.00	\$8,000.00	
lighting		\$1,500.00	\$3,000.00	
miscellaneous	\$2,500.00	\$4,000.00	\$5,000.00	
Total Expenses:	\$29,000.00	\$49,000.00	\$99,000.00	\$51,000.00
<u>Income</u>				
Trust Funds:				
CHCP-original fund	\$30,000.00	\$21,000.00	\$41,810.00	\$21,449.00
City San Jose	\$0.00	\$30,000.00	\$30,000.00	\$30,000.00
History Park	\$0.00	\$10,000.00	\$10,000.00	\$10,000.00
CHCP		\$10,000.00	\$10,000.00	\$10,000.00
Interest Earned*	\$20,000.00	\$19,810.00	\$28,639.00	\$20,000.00
Ending Balance	\$21,000.00	\$41,810.00	\$21,449.00	\$40,449.00
* future interest rate at 3.6%				
Revised: 5/16/05. CHCP-JL				